

## **Audit and Standards Committee**

16 December 2019

(10.00 - 10.40 am)

Meeting held: Committee Room, Civic Centre, Newcastle upon Tyne, NE1 8QH

### **Minutes**

#### **Present:**

Chair: Doug Ross

Councillors: A Chisholm and M Swinburn

#### **34 WELCOME AND APOLOGIES**

The Chair welcomed everyone to the meeting and brief introductions were provided.

Apologies for absence were received from Councillors Cox, Penny-Evans, Dickinson, Glindon, Lower and Watson.

The Chair noted that the committee was not quorate, and decisions would need to be ratified at the next meeting.

Committee agreed to change the order of the agenda, taking agenda item 5 first.

It was noted that as an extraordinary meeting to consider the accounts, the minutes of the last meeting would be considered at the next ordinary meeting in January.

#### **35 DECLARATIONS OF INTEREST**

None.

#### **36 ANNUAL GOVERNANCE STATEMENT**

Submitted: Report of the Risk Advisor to North of Tyne Combined Authority (previously circulated and a copy attached to the Official Minutes).

The Risk Advisor to NTCA introduced the report, indicating that the document considered in July had now been updated with the positive external audit opinion and narrative that the auditor has requested.

Committee recommended that the Annual Governance Statement be included in the Authority's 2018/19 annual accounts and recommended it for signature by the Mayor and Interim Head of Paid Service.

### 37 **NORTH OF TYNE COMBINED AUTHORITY ACCOUNTS: PERIOD ENDED 31 MARCH 2019**

Submitted: Report of the Chief Finance Officer (previously circulated and a copy attached to the Official Minutes).

The Chief Finance Officer introduced the report, highlighting the appointment of Mazars as external auditors and the inclusion in the document of both single entity accounts and group accounts, covering a share of NECA and Nexus activity.

It was confirmed that the accounts have not substantially changed from the draft prepared in July, but now include narrative on joint transport activity, as recommended by the auditors. No queries or concerns have been received from the public.

In discussion, committee members raised the following points:

- That the inclusion of any explanation provided in response to areas queried by the committee, would help to provide greater clarity and understanding for the public and media. The Chief Finance Officer indicated there was potential to include this narrative in a future simplified public document.
- The increase in employee expenses was noted and it was suggested that it would be helpful to provide a split of employee expenses between the Mayor's office and combined authority employees.
- It was explained that due to the direct appointment of Mazars they are not listed with Public Sector Audit Appointments Ltd (PSAA). They have recently been appointed for 2019-20 to 22-23 and the listing should appear shortly.
- It was confirmed that no audit costs were incurred by EY.
- It was suggested that in future years members of the committee could be invited to a briefing on the draft statement of accounts.
- It was noted that the level of NECA and NEXUS activity included with in the accounts, is based on population of the NTCA area.

The Chair brought the discussion to a close, highlighting that the accounts reflected a period of formation of the combined authority, indicating that he considered they were a true reflection of the current position.

Committee recommended that the Audited Statement of Accounts for 2018/19 be submitted to Cabinet for approval.

### 38 **AUDIT COMPLETION REPORTS**

Submitted: Report of the Chief Finance Officer (previously circulated and a copy attached to the Official Minutes).

The external auditor introduced the report, highlighting amendments to the accounts due to the knock-on impact of amendments to Nexus accounts that have been made to ensure consistency with other Public Transport Executive's and to reflect changes due to the creation of NTCA and ongoing pension related issues.

It was confirmed that a non-qualified summary statement will be issued.

In respect of the value for money assessment, it was recognised that NTCA is a new organisation and the audit had therefore focused on what has been completed and action taken to mitigate risk.

The previously appointed external auditors, EY have indicated that there were no issues, public queries or objections.

It was confirmed that in respect of the outstanding audit work referred to in the executive summary, only the whole of government accounts and audit closure procedures remain to be completed and will be in the coming days.

There are no materiality issues to report to the committee.

In respect of significant risks and key areas of management judgement the audit has focused on:

- The risk of management override of controls - there are no issues to report.
- Revenue recognition - there are no issues to report.
- Retirement benefit liability valuation risk – is noted as a significant liability at the group level. NECA pension liability is reflected 100% in the NECA accounts as required by the Order. Other pension liabilities are split on the basis of population. Advice has been taken on this and work is ongoing on this area.
- Proposed devolution accounting treatment – the audit has identified that there is scope to improve quality assurance processes and this has been accepted by management.

Some difficulties were experienced during the audit as systems and practices were not fully developed or embedded and more testing was required to provide assurance.

In respect to of internal control there are no significant issues to report.

In discussion, committee members raised the following points:

- A member queried the omission of the Tyne & Wear Sub-Committee in areas in which the Authority has developed relationships, referred to in the value for money conclusion. In response, it was noted that where there is a satisfactory assessment of arrangements, only a summary of these is provided.
- A member expressed concern about reference to NECA throughout the report. In response, it was noted that there are still a number of areas of joint working and the next accounts should reflect that NTCA is more established.

The external auditors confirmed that there had been a positive value for money assessment against the sub-criteria set by the National Audit Office and an unqualified conclusion has been provided.

An overview was provided of the appendices to the report and reference was made to the robust processes of the external auditor to identify potential conflict, thereby ensuring their independence.

Committee recommended that the NTCA Completion Audit Report be submitted to Cabinet for approval.

In summing up, the Chair thanked NTCA staff for the support provided to the committee to its work, which provides assurance to the external auditors and Cabinet.

**39 DATE AND TIME OF NEXT MEETING**

21 January 2020 at 10.00am at the Civic Centre, Newcastle upon Tyne, NE1 8QH